

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS COMMITTEE**

**HELD ON
Thursday, March 22, 2007
10:30 a.m., MST**

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Michael Townsend, Chair, called the meeting to order at 10:30 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Michael Townsend, Chair
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith
 Mr. David Byers

A quorum of the Committee was present for the purpose of conducting business.

**2. Presentation, Discussion and Appropriate Action Regarding the Deputy Director's
Quarterly Information Technology (IT) Plan Report**

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Bob Solheim, the ASRS Independent Advisory Consultant (IAC), who updated the Committee on the status of various projects within the IT Plan from an enterprise-wide perspective.

Mr. Solheim presented a chart to the Committee regarding an assessment of the enterprise IT plan's progress. The chart was divided into the various key performance indicators of the plan. Each indicator was rated green (satisfactory progress), yellow (at risk), or red (unsatisfactory). All items were rated green, except for the item regarding staffing levels, which have been problematic due to resignations, particularly of consultants.

Mr. Kent Smith, Assistant Director, Information Services Division, gave an update on the current status of the various information technology items that were either completed or are currently in development. These areas included the back-file conversion process (which was recently completed), the replacement of the client server Dbase program, the integration testing of the web self-services project, a new PERIS Online Survivor Benefits application, development work on image-enabling the Retirement Application and associated workflow, contribution posting, and the organization of a team to review and compile a comprehensive report on the various cost benefits associated with business reengineering and development since the beginning of the IT plan.

3. Presentation, Discussion and Appropriate Action Regarding Health Insurance Vendor Services Issues

Mr. Anthony Guarino addressed the Committee regarding service delivery issues pertaining to PacifiCare, the third-party administrator responsible for administering the ASRS retiree health care program. He stated that a sharp rise in the number of phone calls during the first month of the Agency's open enrollment period brought up a number of service issues. Mr. Guarino then asked Mr. Daniel Cadriel, Account Vice President, PacifiCare Health Services, to discuss the issues that were raised and the solutions that were being implemented to fix the problems.

Mr. Cadriel addressed concerns in four areas: membership cards, disenrollment correspondence to SecureHorizon Direct plan membership, customer service availability and expertise on the ASRS plans, and migration of on-site vendor representative's computer systems. He provided the Committee with a synopsis of what the individual problems were, how they were being addressed, and what resolutions could be expected in the future.

Also presented to the Committee was a joint understanding statement listing the priorities of the PacifiCare vendor representatives housed in the Member Services Division of the ASRS. The list addressed items such as mailings, voice mails, emails, and walk-in members.

4. Presentation, Discussion and Appropriate Action Regarding the ASRS 2007 Risk Assessment

Mr. Guarino addressed the Committee regarding the ASRS 2007 Risk Assessment. He reviewed the steps that were being taken in conducting the risk assessment. These steps included creating a statement of risks and threats, setting risk tolerance, completing an assessment of ASRS controls, the formal risk assessment itself, and outlining a two-year risk control strategy. Mr. Guarino noted the step of determining the statement of risks and threats was completed in January, but would still need a review of the full ASRS Board of Trustees.

Mr. Guarino then provided an Evaluation Criteria sheet that listed the various controls and strategy options that would be considered during the risk assessment. He also provided a sample "scorecard" showing how risk and threat would be rated in terms of risk tolerance, adequacy of controls, likelihood of risk and impact.

5. Request for Future Agenda Items

The following items will be considered for future agendas:

- Consideration of Moving June OC Meeting to Late May

6. Call to the Public

No members of the public addressed the Committee.

7. Adjournment of the OC

Mr. Michael Townsend adjourned the meeting at 12:04 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date